

EBT Cash Access

Prepared for County Cash Decision Training

Legislative Requirements

Welfare & Institution Code requires the following pertaining to cash benefit access under EBT.

- Reasonable access
§10071. Any benefits provided to recipients under the department's authority may be distributed through the electronic benefits transfer system as long as the recipient has **reasonable access** to his or her benefits.
- Access through ATMs and POS devices
§10072(c). All reasonable measures shall be taken in order to ensure that recipients have access to electronically issued benefits through systems such as automated teller machines, point-of-sale devices, or other devices that accept electronic benefits transfer transactions.
- No transaction fee to the client for the first four cash withdrawal transactions
§10072(k). ...a recipient may be charged a fee, not to exceed the amount allowed by applicable state and federal law and customarily charged to other customers, for cash withdrawal transactions that exceed four per month.

Competing Goals: Feasible Cost and Reasonable Access

- One goal of EBT, as stated in the governing legislation, is to reduce the cost of delivering benefits.
- As a county option, each county must consider the costs and benefits of using the EBT system for cash benefit issuance.
- The legislation uses the term "reasonable access" without any specific definition. There are costs inherent in cash access.
- The State must balance cost considerations with access considerations to determine what is "reasonable."

Definitions

Cash Withdrawal Transaction

- A transaction in which a client obtains cash from an ATM or POS without also making a purchase (i.e., a purchase with cash back is not considered a "cash withdrawal transaction").

Transaction Fee (also known as interchange fee)

- An interchange fee is the cost of moving a transaction over the financial network. For ATM transactions, it is generally paid by the card issuer to the ATM owner. (\$0.40-\$0.50)
- These costs are covered in the commercial world by the monthly bank account fees.

- Under EBT, the county will pay any applicable transaction fees for the first four cash withdrawal transactions. After four, any applicable transaction fees will be charged to the client.

Surcharge

- A surcharge is a fee charged by the ATM owner to people who are not the bank's own account holders to use the ATM machine (foreign transactions). POS operators may also charge fees (surcharges).
- ATM surcharges average \$1.00-2.00.
- Under EBT, all surcharges are the responsibility of the client.

Possible Cash Access Fees Under EBT¹

- EBT processor may not charge a transaction fee for purchase transactions or purchase with cash back transactions.
- EBT processor may not charge a transaction fee to a client for the first four cash withdrawal transactions each month. The cost of these transactions is billed to the county on a per transaction basis.
- Clients may make their first four transactions at any participating locations, including those that impose surcharges.
- All surcharges are the client's responsibility. After four cash withdrawal transactions in a month, transaction fees are the client's responsibility.

Point of Sale (POS)		
Likely Locations	Possible Transaction	Possible Restrictions and Costs
<ul style="list-style-type: none"> • Grocery Store • Retail Store • Convenience Store 	<ul style="list-style-type: none"> • Cash withdrawal • Purchase • Purchase with cash back • Purchase of money orders 	<ul style="list-style-type: none"> • Subject to the same surcharges and restrictions that may be imposed on other debit card users (i.e. surcharge or limitation on cash back), at the discretion of the individual merchant.
<ul style="list-style-type: none"> • Check casher 	<ul style="list-style-type: none"> • Cash withdrawal • Purchase of money orders • Bill payment 	
<ul style="list-style-type: none"> • Gas station 	<ul style="list-style-type: none"> • Purchase • Purchase with cash back • Purchase of money orders 	
<ul style="list-style-type: none"> • Restaurant / fast food 	<ul style="list-style-type: none"> • Purchase • Purchase with cash back 	
<ul style="list-style-type: none"> • Public utility office • Public housing office 	<ul style="list-style-type: none"> • Bill payment 	

¹ Neither the EBT processor nor the FNS authorized retailer may impose any fees for food stamp transactions.

Automated Teller Machine (ATM)		
Likely Locations	Possible Transaction	Possible Restrictions and Costs
<ul style="list-style-type: none"> STAR ATMs Other ATMs 	<ul style="list-style-type: none"> Cash withdrawal 	<ul style="list-style-type: none"> Subject to transaction fees after four cash withdrawals per month. May be subject to surcharges Subject to physical capacity limit of machine²

Reasonable Access

Issue: What is the definition of “reasonable access” to cash program benefits under the EBT system? How will the Contractor’s provision of reasonable access be evaluated?

Quantitative Measurements for Contractor Performance:

The ITP describes minimum access standards by which a county’s cash access plan will be evaluated. The ideal goal is for cash to be available at locations that will provide at least \$200 per transaction without a surcharge.

1. **Capacity:** Is there enough cash available on the benefit issuance days for clients to be able to withdraw their entire benefit to meet their major monthly obligations?
2. **Proximity:** Are the cash access locations in the same zip codes where clients reside, or in neighboring zip codes?
3. **Distribution:** Are the cash access locations distributed in ways that will facilitate access? For example, is there a reasonable ratio of access locations to the client population? Are there geographic barriers that make access impractical for recipients in the zip code?
4. **Alternatives:** If access cannot be fully provided given the measurements above, alternatives must be provided to supplement cash access. Alternatives must be approved by the State. Acceptable alternatives could include, for example, locations where clients can
 - withdraw less than \$200 without a surcharge
 - withdraw the full benefit amount in one transaction (surcharge)
 - pay bills, such as rent and utilities, directly with the EBT card (surcharge)
 - buy money orders at low cost (fee)

Qualitative Definition of Reasonable Access:

Once the Contractor has prepared the cash access plan, how will the State/county determine if it meets the test of reasonableness? The following qualitative factors can inform the State/county as to whether reasonable access has been provided.

1. Reasonable access **cannot be described by any specific geographic standard that can be applied equally statewide** (for example, ratio of access points to clients, number of ATM machines, etc.). Reasonable access will be evaluated on a county-by-county basis for those counties that choose to use EBT for cash. The

² There will not be a limit on the amount a client can withdraw in one day; however, ATMs have physical limits of the number of bills they will dispense in one transaction. If the machine is loaded with \$20 bills, this limit will generally be \$300-\$500 (15-25 bills). The EBT project is unaware of restrictions on a card being used for consecutive transactions at an ATM.

commercial infrastructure will vary widely from county to county, as will the clients' current check cashing alternatives.

2. Reasonable access includes the **opportunity for clients to access their full benefit amount** in order to meet their financial obligations such as rent **within the first four transactions** (before they are subject to a transaction fee from the EBT processor).
3. Reasonable access includes **the opportunity for clients to access their full benefit amount on the benefit availability date** without the need to travel to multiple locations. (e.g., to obtain the full amount in one transaction, or to do multiple consecutive transactions).
4. Surcharge-free access is important, and the **Contractor should provide as much surcharge-free access as is available to the general public in the commercial infrastructure**. However **surcharging locations will also be included**, in order to provide additional choices and more convenience for clients. Clients will be empowered to make choices about cost versus convenience.
5. Reasonable access should provide **as many cash access choices as possible** to the clients. This includes full utilization of the commercial EFT infrastructure, ATM networks, check cashers, and direct bill payment opportunities. Some of these access choices will include surcharges, as they do for the general public.
6. Reasonable access includes the **ability to use the EBT card to access benefits in the following ways** (with or without surcharges).
 - a. Make cash withdrawals (ATM, POS, check cashers)
 - b. Make purchases (POS)
 - c. Make purchases with cash back (POS)
 - d. Buy money orders and other financial instruments (ATM, POS)
7. There is not a mandate that EBT improve clients' cash access convenience or lower the cash access cost over the current environment. Reasonable access means that **access under EBT should generally be no less convenient or more costly**, when compared to the check cashing opportunities currently available to the client population in a particular area. This will vary from county to county, and may differ for clients in different areas of the same county.
8. Reasonable access includes the **ability to receive benefits in another way**. Recent legislation requires counties to provide direct deposit for welfare recipients. This can be an alternative for clients who do not want to use EBT for cash benefits.

County Cash Access Plan Requirements and Process

- The Contractor must provide a Cash Access Plan specific to each county which documents
 - Sufficient capacity of cash for availability on benefit availability dates
 - Mapping of minimum access by zip code, differentiating each type of access location
 - Analysis of distribution of recipients in the county compared to available cash access
- Approval of the cash access plan will be according to the following process.
 - Draft plan due five months before conversion is scheduled to begin in each county.

- County will have time to review plan, receive input from the community, and provide feedback to the Contractor.
 - Contractor must revise the cash access plan and submit it for State approval.
 - Go/No Go decision point.
- Contractor must implement cash access according to the Cash Access Plan.
- Cash Access Plan must be updated at least semi-annually.
- Contractor will provide a monthly report of participating cash access locations, including their restrictions and fees.